TREASURY ASSISTANT SECRETARY FOR FINANCIAL MARKETS
ANTHONY W. RYAN
FEBRUARY 2008 QUARTERLY REFUNDING STATEMENT

WASHINGTON - We are offering $22.0 billion of Treasury securities to refund approximately $54.5 billion of privately held securities maturing on February 15 and to pay down approximately $32.5 billion. The securities are:

- A new 10-year note in the amount of $13.0 billion, maturing February 15, 2018;
- A new 30-year bond in the amount of $9.0 billion, maturing February 15, 2038

These securities will be auctioned on a yield basis at 1:00 p.m. EST on Wednesday, February 6, and Thursday, February 7, respectively. Both of these auctions will settle on Friday, February 15. The balance of our financing requirements will be met with weekly bills, monthly 2-year and 5-year notes, the March 10-year note reopening and the April 5-year TIPS offering and 10-year TIPS reopening.

Treasury expects to issue cash management bills in February, March, and April. Some of these cash management bills may be longer-dated than those recently issued. Such issuance of longer-dated cash management bills would be in response to seasonal fluctuations in cash balances, volatility associated with the timing of tax refunds, and the increased use of electronic payments versus check payments.

Financing Needs in Fiscal Year 2008 and Bill Market Liquidity

Bill financing is Treasury's primary means of addressing unexpected or seasonal fluctuations in borrowing needs and a highly liquid Treasury bill market reduces the government's interest expense over time, provides flexibility and promotes more efficient capital markets. Over the past six years, Treasury bills as a percentage of our overall portfolio have fallen from 27 percent to 22 percent. We plan to increase bill issuance amounts in the coming year. Doing so will enhance liquidity, improve flexibility (given greater volatility in short-term Treasury cash balances), and could increase outstanding bills as a percentage of the portfolio.

The fiscal year 2008 outlook, even absent the enactment of a fiscal stimulus package, potentially calls for a higher net marketable borrowing requirement resulting from larger base line deficit projections and potential reductions in issuance of non-marketable securities to states and local municipalities. Consequently, in addition to expected increases in bill issuance, Treasury may raise nominal coupon issuance in the coming months to address these larger net marketable borrowing needs.

Financing considerations related to potential Federal Reserve security redemptions

While the decisions of the Federal Reserve are independent of the Department, Treasury may also need to raise bill issuance sizes or issue additional cash management bills to offset cash shortfalls should the Federal Reserve determine additional security redemptions are necessary. Treasury will adjust such issuances as transparently as possible.

Financing considerations related to potential economic growth package

Treasury is also contemplating the optimal method of financing should Congress pass an economic growth package. The nature of the financing will largely be dictated by the scope and timing of any such package. Based on current forecasts, additional borrowing needs can be addressed through changes in issuance sizes of the existing menu of securities, including cash management bills. If Treasury needs to make any additional changes to the auction calendar, ample notice will be provided in a transparent manner to market participants.

New Treasury Auction System

As stated in the November 2007 Quarterly Refunding statement, Treasury's enhanced auction system is expected to be implemented in the first half of 2008. We remain on schedule and will continue to keep market participants apprised of progress related to the new auction system.

Minimum Auction Purchase Denomination

Coinciding with the implementation of the new Treasury auction system and as discussed in the November 2007 quarterly refunding statement, Treasury has decided to lower the minimum purchase amount in Treasury auctions. Subsequent to the change, investors will be able to purchase marketable securities in a minimum denomination of $100.

This change will broaden distribution, improve individual investor access to Treasury marketable securities, and lower issuance costs to Treasury.

In addition, new $100 denominational notes and bonds auctioned under the new system will be available for stripping shortly thereafter. We will provide information on the exact date following the implementation of the new Treasury auction system.

Current Market Environment

Given current market conditions coupled with lower interest rates, Treasury encourages private sector efforts to develop additional methods to minimize the likelihood or impact of systemic fails so that overall market liquidity is not negatively impacted by Treasury repo financing. Addressing this issue in a proactive manner would benefit all stakeholders in the market and enhance market liquidity.

Please send comments and suggestions on these subjects or others relating to Treasury debt management to debt.management@do.treas.gov.

The next quarterly refunding announcement will take place on Wednesday, April 30, 2008.